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## **INTRODUCTION**

The Office of Internal Audit performed an audit of Livingston County FIA for the period November 1, 2001 through January 16, 2003. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Livingston County FIA had 40 full time equated positions (FTE's) at the time of our review. Livingston County FIA provided assistance to an average 1,310 recipients per month during FY 2001, with total assistance payments of \$1,549,447 during that year.

## **SCOPE**

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Livingston County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS Input/Output Controls
Cash Disbursement	Cash Receipts
IRS Information Security	General Ledger
Safe and Controlled Documents	State Emergency Relief (SER)
Modified Accrual Balance Sheet	Payroll and Timekeeping
Procurement Card Review	Employment Support Services
State Car Usage	

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that the Livingston County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization.

## **LOCAL OFFICE RESPONSE**

The management of Livingston County FIA has reviewed all findings and recommendations included in this report. They indicated in an e-mail dated February 14, 2003 that they disagree with finding #1 and they are in general agreement with findings #2-8 and have taken corrective action.

## **FINDINGS AND RECOMMENDATIONS**

### **Cash Receipts**

#### **Mail Opening**

1. Livingston County FIA had only one person retrieve the mail from the mailbox. Accounting Manual Item 430 requires that two people obtain the mail. Having two people pick up the mail helps to ensure that cash and negotiable instruments received in the mail are not lost or stolen prior to being recorded at the local office.

WE RECOMMEND that Livingston County FIA have two people pick up the mail.

#### **Daily Mail Record of Cash Receipts**

2. The Livingston County FIA did not use the Daily Mail Record of Cash Receipts (FIA-4729) for all negotiables received for deposit. Instead the County used a Livingston County form to record checks or money orders received for deposit. Accounting Manual Item 431 states that the FIA-4729 is to be used to record negotiables received for deposit.

WE RECOMMEND that the Livingston County FIA record all negotiables for deposit on the FIA-4729.

### **Cash Disbursements**

#### **Signature Card at the bank**

3. The Administrative Services Supervisor and the Administrative Analyst at Livingston County FIA had access to the supply of blank checks and their names were on the signature card at the bank. Accounting Manual Item 410.1 states that if the check signing machine malfunctions, back up procedures, including two or three authorized signatures on file with the bank, should be in place. However, the person authorized to sign checks should not have access to the supply of blank checks, or be involved in the disbursement process.

WE RECOMMEND that Livingston County FIA have the Administrative Services Supervisor and the Administrative Analyst's names removed from the signature card at the bank.

### **Payroll and Timekeeping**

#### **Reconciliation of HR-332A to the Turnaround HR-332B**

4. Livingston County FIA did not reconcile the turnaround HR-332B report a week after the time was submitted to the HR-332A report at the time the payroll was prepared. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper reconcile the turnaround HR-332B report to attest to the accuracy of the payroll.

WE RECOMMEND that Livingston County FIA reconcile the HR-332A to the turnaround HR-332B report to verify the accuracy of the payroll.

Corrective Action taken while auditor was on site.

### **CIS Input / Output**

#### **CIS Security Agreements**

5. Livingston County FIA did not have accurate up-to-date CIS Security Agreements (FIA-3974A) on file for 18 out of 43 employees who access the Client Information System (CIS) as required by L-Letter 97-063. Nine employees had obsolete FIA-3974A's with blank status codes. Eight Security Agreements had a blank Operator I.D and Activity field, and one had a status code on the PF-011 report that was different from the status code on the FIA-3974A. An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with the CIS access.

WE RECOMMEND that Livingston County FIA ensure that accurate, up-to-date security agreements are on file for all employees who access CIS.

Corrective action taken while auditor was on site.

#### **ASSIST Security Agreements and Enrollment Profiles**

6. Livingston County FIA did not have accurate up-to-date ASSIST Security Agreements (FIA-3721) and Enrollment Profiles (FIA-3720) for 3 out of the 41 employees who access the ASSIST System as required by L-Letter L-97-156. One employee did not have an ASSIST Security Agreement on file, and two employees had job types on the Monthly User List ASSIST Report (VB9-554) that were different than the job types indicated on the FIA-3720. An accurately completed Security Agreement and Enrollment Profile is

necessary to document that the employee understands the responsibilities associated with the ASSIST access.

WE RECOMMEND that Livingston County FIA ensure that accurate, up-to-date security agreements and enrollment profiles are on file for all employees who access ASSIST.

Corrective action taken while the auditor was on site

#### Security Officers Log Report (PD-180), (VB9-173)

7. Livingston County FIA did not reconcile the Security Officer's Log Report (PD-180) to the Security Agreements (FIA-3974A's), or the ASSIST Security Officer's Log Report (VB9-173) to the Enrollment Profiles (FIA-3720), as recommended by the Primary Internal Control Criteria for Local/District Office Operations. Reconciliation of these reports ensures that all changes made are accurate, and approved by supervisors.

WE RECOMMEND that the Livingston County FIA reconcile the PD-180 and VB9-173 report to revised Security Agreements and Enrollment Profiles.

#### **Employment Support Services**

##### Documentation for Payments

8. Livingston County FIA had two payments where the payment was made without an original invoice, as required by Program Eligibility Manual (PEM) Item 232, page 5. Instead, the client obtained a signed written statement from the vendor with the amount due.

WE RECOMMEND Livingston County FIA submit original invoices to document the payment requested to comply with the PEM requirement.

**Balance Sheet**

No findings in this area.

**General Ledger**

No findings in this area.

**IRS Security**

No Exception Noted

**SER Payments**

No findings in this area

**Safe and Controlled Documents**

No findings in this area

**Procurement Card Usage**

No findings in this area

**State Car Usage**

No findings in this area

**Client Processing**

No findings in this area